



# INDUSTRY CIRCULAR

DEPARTMENT OF  
THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

Washington, D.C. 20226

Number: 81-12 Date: October 8, 1981

## CIGARETTE PAPERS DISTRIBUTED WITH SMOKING TOBACCO

Manufacturers of Tobacco Products, Manufacturers of Cigarette Papers and Tubes, and Others Concerned:

Purpose. This circular notifies industry members of an ATF Ruling which will be published in the next issue of the Alcohol, Tobacco and Firearms Bulletin.

Text of Ruling: The ruling will read as follows:

The Bureau of Alcohol, Tobacco and Firearms has been asked whether the packaging of cigarette paper under the circumstances described below is taxable under section 5701(c) of the Internal Revenue Code of 1954.

A puts up cigarette papers in books of 25 or 18 papers and sells them to B. B then incorporates two or more such books with a consumer package of smoking tobacco. The packages of tobacco delivered to the consumer generally include 36, 72, or 200 papers depending upon the quantity of tobacco in the package.

Section 5701(c) of the Code provides, in part, that a tax shall be imposed on each book or set of cigarette papers containing more than 25 papers which is manufactured in or imported into the United States.

Section 5702(h) of the Code defines a "manufacturer of cigarette papers and tubes" as any person who makes up cigarette paper into books or sets containing more than 25 papers each, or into tubes, except for his own personal use or consumption.

Section 285.21, 27 Code of Federal Regulations, which implements section 5701(c), provides, in part, that a tax is imposed on each book or set of

cigarette papers containing more than 25 papers, manufactured in or imported into the United States.

Section 285.41 provides that every person who makes up cigarette papers into books or sets containing more than 25 papers each, except for his own personal use or consumption, shall qualify as a manufacturer of cigarette papers and tubes in accordance with the provisions of 27 CFR Part 285.

In this case, the books put up by A are not taxed because they contain no more than 25 papers. On the other hand, since B groups books of cigarette papers together into units containing more than 25 cigarette papers for subsequent delivery to consumers as a unit, B is a manufacturer of cigarette papers and the units of more than 25 papers each are subject to tax.

Held: B is liable for tax under section 5701(c) of the Code because B manufactures sets of cigarette papers containing more than 25 papers.

Held further: B must qualify as a manufacturer of cigarette papers because B makes up cigarette papers into sets containing more than 25 papers each.

In order to allow persons manufacturing taxable sets of cigarette paper from non-taxable books or sets to comply with the provisions of sections 5701(c) and 5711, and pursuant to 26 U.S.C. 7805(b) this ruling will become effective on November 1, 1981. The tax imposed by section 5701(c) shall be applied to all such taxable sets removed on or after that date, and the manufacturers thereof shall have qualified under the provisions of 27 CFR Part 285. Such sets of cigarette papers removed before November 1, 1981, will not be treated as subject to the provisions of section 5701(c) nor will the manufacture thereof subject the manufacturer to the qualification requirements of section 5711 and 27 CFR Part 285 prior to that date.

Prepackaged, taxpaid sets. Tobacco manufacturers who consolidate non-taxable books or sets of cigarette papers into taxable sets for inclusion in consumer packages of smoking tobacco may prefer, instead, to obtain cigarette

papers from an existing manufacturer of cigarette papers and tubes who has prepackaged the papers in the desired multiple units and paid the tax on such papers upon shipment to the tobacco manufacturer. Inclusion of such prepackaged, taxpaid sets of cigarette papers with consumer packages of smoking tobacco would not cause the tobacco manufacturer to incur additional tax liability or subject him to the qualification requirements of Part 285.

Inquiries. Inquiries concerning this industry circular should refer to its number and be addressed to the office of the appropriate regional regulatory administrator at one of the following addresses or toll-free telephone numbers:

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